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Setting up of FIs/Banks in rural areas of Arunachal Pradesh

4175. SHRI NABAM REBIA: Will the Minister of FINANCE be pleased to state:

(a) the details of the steps being taken by Government to set up financial institutions/banks in the rural areas of Arunachal Pradesh; and

(b) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) As the Financial Institutions (FIs) mainly deal in financing of industries, they do not have their offices in rural areas of any State including Arunachal Pradesh. However, they have their Zonal/Regional/Branch Offices in all the States of the country, which caters to the needs of industry both in urban/rural areas. Commercial Banks open their branches in accordance with policy and strategy decided by their respective board of directors keeping in view yearly business plan, potential for business and profitability of the proposed branches. The new branches are opened with the approval of RBI. As on December, 2000 all scheduled commercial banks are having 56 offices in rural areas of Arunachal Pradesh, out of total of 69 offices.

Reasons for increasing trend of NPA of Banks

4176. SHRI VEDPRAKASH P. GOYAL: Will the Minister of FINANCE be pleased to state:

(a) whether the NPA's are increasing in the Nationalised Banks;

(b) if so, the details of increase during the last three years;

(c) the reasons for increase of NPAs and whether any pattern of course is established;

(d) what concrete steps are being proposed to be taken to prevent further increase in NPAs, reduce the existing NPAs, recover the money lost by banks as bad debts; and

(e) whether any responsibility has been fixed in case of high volume NPA case?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The amounts of gross Non-Performing Assets (NPAs) of the nationalised banks for the last three years, furnished by Reserve Bank of India (RBI), are as under:—

Year	Gross NPA (Rs. in Crore)	% to Gross Advances
1997-1998	30130	16.9
1998-1999	33069	16.0
1999-2000	33521	14.0

While the amount of Gross NPAs of the nationalised banks have increased during the last three years, their percentage to gross advances has declined.

(c) The main reasons for incidence of NPAs are as under:—

Internal Factors

- (i) Deficiency in credit appraisal and supervision.
- (ii) Diversion of funds by the borrower and willful default in repayment.
- (iii) Inefficient management of the unit financed.

External Factors

- (i) Non-viability or sickness of the unit due to change in technology, demand pattern and other policy etc.
- (ii) Non-completion of project due to cost, time, overruns, and other factors, such as non-availability of raw materials etc.
- (iii) Labour problems.
- (iv) Natural calamities

(v) Environmental factors such as pollution control, ecological damage etc.

(vi) Delay in disposal by courts of suits filed by banks.

(d) Government of India and RBI have advised the banks and financial institutions to take several steps for recovery of bank dues such as evolving and implementation of recovery policy by banks, filing of suits with civil courts, filing cases with Debt Recovery Tribunals, compromise settlement through Settlement Advisory Committees and monitoring and follow up of non-performing accounts at various level in the bank. Recently, RBI *vide* its circular dated 27th July, 2000 has framed non-discretionary and non-discriminatory guidelines for settlement of NPAs upto Rs. 5 crore and advised banks to evolve their own policy for loan outstandings of above Rs. 5 crore. Effective action by banks for rehabilitation, one-time settlement for filing of suits in all necessary cases by 31.3.2001 has to be ensured by the chief executives. Action has also been initiated to bring in a legislation that will facilitate foreclosures and enforcement of securities in cases of default, in order to enable the banks and financial institutions to realize their dues.

(e) The banks are required to fix internal responsibility/accountability in respect of NPAs. RBI has also advised that the Board of Directors of the banks should review NPA accounts of Rs. 1 crore and above with special reference to fixing of staff accountability.

Committee for rural credit by NABARD

4177. SHRI R.S. GAVAI: Will the Minister of FINANCE be pleased to state:

(a) whether NABARD has set up a Committee to look into various issues concerning rural credit under the Chairmanship of Shri V.S. Vyas;

(b) if so, the details thereof alongwith its terms of references;

(c) whether the Committee has submitted its report;

(d) if so, the main recommendations of the Committee; and